

Refund Interception Guide for State Agencies

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I. GENERAL INFORMATION

Section 71.93, Wis. Stats., permits the Wisconsin Department of Revenue (DOR) to intercept, or set off, taxpayer refunds, refundable credits and lottery payments against certain state agency debts. This guide provides general information about the refund interception program and contains specific procedures necessary to establish and maintain accounts for debtors.

All debts certified must be identified by the debtor's name and social security number or federal identification number and must have a balance greater than \$20.00. Refund interceptions for agency debts will occur only after all amounts due DOR have been satisfied.

Debts are established and maintained through file maintenance transferred electronically between DOR and the agency. Debtor information is edited and compared to the DOR income tax history file and the agency is notified whether the debt has been accepted for certification. When a refund successfully matches a certified debt, the agency is notified and requested to verify the debt balance.

Agencies are notified weekly of amounts set off to debts. A check is sent weekly to the agency for the full amount intercepted for that period. After each calendar quarter, DOR sends a settlement report to each agency that summarizes the financial activity for their account for that quarter.

A. Qualified Debts

To be eligible for this program, debts must be greater than \$20.00 and must fall into one of the following categories:

- Any debt that has been reduced to a judgment.
- Any debt for which the agency has provided the debtor reasonable notice and an opportunity to be heard.
- Any debt that qualifies under secs. 71.93(1)(a)2, 71.93(1)(a)3, 71.93(1)(a)4, 71.93(1)(a)5, or 71.93(1)(a)6, Wis. Stats.

If you have questions about whether other types of debts qualify for this program, please consult your legal counsel.

B. Common Questions And Concerns

1. Will the Wisconsin Department of Revenue (DOR) provide ID numbers for debtors?

DOR uses both the name and social security number or federal identification number of the debtor provided by the agency to assure a proper match when a tax refund becomes available for intercept. To avoid incorrectly intercepting a refund belonging to a non-debtor taxpayer, the match is required on both the name and ID number. To insure the integrity of this identification process, DOR requires that the agency provide the ID number to establish a debt.

2. What kinds of debts are covered?

Section 71.93, Wis. Stats., includes amounts that have been reduced to a judgment, specific types of debts belonging to certain state agencies, and instances where the agency has provided the debtor reasonable notice and the opportunity to be heard with regards to the debt. Agencies are responsible for determining if a debt qualifies under this statute. Only qualified debts may be certified to DOR for tax intercept and the agency is responsible for any appeal or legal action contesting the interception.

3. What appeal provisions apply and how are disputed claims handled?

The certifying agency must notify the debtor, in writing, at least 30 days prior to certifying the debt to DOR. This notification shall include the basis of the certification and the debtor's right to appeal. Appeal rights are to be established by the agency.

4. What should be done in the case of bankruptcy?

Once a debtor has filed for protection under the bankruptcy code, the agency's right to a

refund interception may be limited. Please contact your legal advisor if this situation arises, as it may be necessary to decertify any debts protected by a bankruptcy stay. The agency is responsible for refunding any monies intercepted in error as a result of a bankruptcy.

5. What is the priority of debts?

Tax refund intercepts are applied to debts in the following order:

- Debts owed to DOR.
- Debts certified by other state agencies under sec. 71.93, Wis. Stats., in the order certified.
- Debts certified by counties and municipalities under sec. 71.935, Wis. Stats., in the order certified.
- Debts certified by the Internal Revenue Service under sec. 73.03 (52), Wis. Stats., in the order certified.

6. When is the administrative fee charged?

For most amounts that are intercepted the taxpayer is charged a fee, currently \$5.00, for each amount that is intercepted from their refund, at the time the interception(s) occurs. For instance, if a refund is applied to three separate debts, the taxpayer is charged a total of \$15.00 (\$5.00 per debt) in administrative fees.

For amounts withheld from lottery prizes, DOR will charge an administrative fee to the state agency that receives the remittance.

7. What about changes in a balance or overpayment?

The participating agency uses file maintenance to reduce debt balances to reflect payments received outside this program. In addition, when a refund or refundable credit becomes a candidate for interception, DOR will notify the agency to enable them to update or verify a balance. DOR automatically

reduces the debt balance by the amount collected when a refund intercept occurs.

If an overpayment does occur, it is the responsibility of the agency to issue any refund, including the administrative fee, to the taxpayer.

8. How is the taxpayer notified that their refund was intercepted?

DOR mails a setoff notice to the taxpayer in lieu of their refund check, or in addition to any amounts that are left after setoff. This notice includes the name and contact information for each agency that received monies from the refund and is mailed the same day that DOR mails the agency their weekly remittance.

II. PROCESSING INSTRUCTIONS

A. Applications

Agencies intending to participate in DOR's refund interception program must enter into an agreement with DOR that outlines the process and states in writing various conditions of the program. DOR requires a contact name for operational issues and questions, and a contact name for debtor inquiries. Unless the same person performs these duties, a name and a phone number must be provided for each category. A sample agreement may be found on pages 7-8 of this guide. DOR assigns the agency a unique identification number to use when transmitting data to the department.

At least one agency representative must also obtain a Web Access Management System (WAMS) user ID and password to access the Tax Refund Intercept Process (TRIP) system, if that is the preferred data exchange method for your agency. Registration information for these IDs can be found at www.dor.state.wi.us/ise/trip/index/html. Once a WAMS user ID is obtained, the user must request authorization to access the agency account.

B. Certifying Debts

At least 30 days prior to certification, the agency must notify the debtor in writing that their debt may be certified to DOR for refund interception and what their appeal rights are (see Debtor Notification on page 6). The contact person for the agency should be clearly identified and readily available to handle debtor inquiries.

The agency must be able to provide the debtor information, including social security number or federal identification number, using a personal computer with Internet access through TRIP, or via the state mainframe system. For record layouts and file maintenance specifications, please see the TRIP User Guide or contact DOR.

Debtor information that is submitted for certification is edited and compared to DOR's income history file. Only debts that pass the department's edit process are added to the interception file. DOR notifies the agency when a debt is accepted or rejected. Accepted debts are assigned a debt number that must be referenced when transmitting subsequent file maintenance for the debt. Error messages are sent that identify the nature of the error for rejected debts. Most often, debts are rejected because the ID number and name that is submitted does not match the ID number and name in DOR's income history or debtor database.

C. Verification

Before they are issued, all DOR refunds are first compared to DOR's file of delinquent tax liabilities. Refunds for which no tax liability exists, or where the refund exceeds any tax liability, are matched against the interception file for other certified debts. For each successful match, the system places the refund in hold status. Once a week the name, address, ID number and current balance of debtors scheduled for refund interception is transmitted to the appropriate agencies. The agency is requested to verify that the balance is correct. If the balance is correct, no action is necessary. If the balance is not correct, file maintenance must be submitted to adjust it.

The agency has five working days to provide DOR with any correcting file maintenance. Verification of debt balances is an important part of the refund interception process and prevents the posting of incorrect amounts to debtors' accounts.

Please Note: A verification record is issued for each debt owed by the debtor with no regard to the relationship between the amount of the refund and the balance due on the account. The receipt of a verification record is not a guarantee that there are sufficient funds to apply to all debts. If a taxpayer files more than one return at the same time, each return that results in a refund will generate a verification record for each debt owed by the debtor.

Winners of lottery prizes of \$1,000 or more are also subject to a similar, but slightly different, verification process. DOR staff will contact your agency via phone to verify any debt balances that exist on our system prior to issuance of the prize. Intercepted lottery prize amounts will appear in the posting records for that week. Taxpayers are notified separately by the lottery of any amounts withheld from their prize. The agency is responsible for DOR's administrative fee for intercepted lottery prize amounts.

D. Adjusting Debt Balances

Adjustments to debt balances can be handled either through routine file maintenance at the time the agency makes an adjustment to their records, or in response to balance verification records. Debt balances can be lowered at any time. However, debt balances can only be increased on the most recently established debt. The file maintenance record will contain an error code indicating the balance cannot be raised if file maintenance is submitted to increase the balance of a debt when there is an intervening debt. In these cases it is necessary for the agency to establish a new debt for the debtor. This new debt should be for the amount of the additional liability, but must be greater than \$20.00. The original debt will remain on file and be collected in the order in which it was established.

E. Payments

When the verification process is completed, all held refunds with successful matches are posted to the appropriate debts. Refund interceptions for agency debts occur only after all amounts due DOR are satisfied. Agency debts are satisfied in the order they are certified to DOR.

The amounts posted to debts, along with identifying information, are transmitted to the agencies once a week. The fact that you received a verification record for a debtor but did not receive a posting record indicates there were not sufficient funds to pay all debts certified against that debtor.

Debtors are notified of the refund intercept by DOR. The agency contact person and phone number for debtor inquiries are listed on the debtor's notice. Any amounts left after setoff are included with this notice.

DOR remits a check weekly to each agency for the full amount intercepted since the last remittance. One check is issued for all funds collected for debts certified by a particular agency.

F. Overpayments

Verification of the debt balance is requested from the certifying agency before a refund is posted to a debt. The balance can be corrected at that time to reflect recent payments or adjustments. Timely handling of the verification process is critical to avoid overpayment of a debt.

In the event that a refund intercept by DOR does result in an overpayment, it is the responsibility of the agency to refund any monies due to the debtor, including the administrative fee.

G. Reversals

Occasionally a refund that has been intercepted is determined to have been issued in error, or is otherwise adjusted. In these instances, DOR will reverse the credit posted and notify the agency immediately and on the next quarterly settlement report. In instances where the entire setoff amount is reversed, DOR will be responsible for refunding the administrative fee to the taxpayer.

H. Record Keeping

To ensure that TRIP retains optimum performance, old information is regularly deleted from view. For this reason, it is the responsibility of the agency to keep accurate records of the debts certified for refund interception independent of what is posted on TRIP. Debt balances should be verified, and corrected if necessary, before refunds are posted. Posting records should be retained to match with the payments issued weekly.

I. Debtor Inquiries

The agency must provide a contact person and telephone number to handle debtor inquiries. Debtors are given the name and phone number of the contact person when they are notified by DOR that their refund was intercepted. The contact person is responsible for insuring that correspondence and telephone inquiries from debtors are handled in a timely manner.

J. Agency Responsibilities

- Agency representatives are responsible for the following:
- Receive file maintenance records on a weekly basis.
- Receive posting records and payments of intercepted refunds.
- Manage debtor balance and identity information provided to DOR.
- Apply intercepted refunds to debtor's account.
- Respond to debtor inquiries regarding debt accounts.
- Refund any overpayment of debtor's account to debtor.
- Balance quarterly settlement report.
- Maintain confidentiality of all information obtained from or furnished by DOR.

K. Appeal Rights

At least 30 days prior to certification, the agency must notify the debtor in writing of their intent to certify the debt to DOR for possible refund inter-

ception. This notification should include the basis of the certification and the debtor's right to appeal, if any. DOR does not handle any appeals arising from this notification. Appeals must be handled at the agency level. Any legal action contesting the interception shall be brought against the agency, not DOR.

L. Electronic Requirements

The data necessary to certify and maintain debts is transmitted between DOR and the agency via the TRIP, or the state mainframe system.

TRIP is an Internet-based application that is available seven days a week, 24 hours per day. TRIP is managed by DOR's Refund Interception Coordinator, who is responsible for authorizing new users and accounts, monitoring system upgrades, trouble-shooting problems, and handling correspondence. Each agency is required to have an Internet browser that supports HTML 4.0 or higher (HTML 6.2 or higher if using Netscape Navigator), supports Secure Sockets Layer (SSL) 128-bit encryption, and has JavaScript enabled.

Once your agency application is accepted and you are assigned a unique agency identification number and obtain a WAMS user ID and password,

you must request authorization to your account before you can begin uploading and downloading files via TRIP.

Please contact DOR for information about transmitting information via the state mainframe system.

M. Data Processing Schedule

Data that is uploaded to DOR is stored throughout the week until 5:00 p.m. on Fridays when it is uploaded to the mainframe for processing. New file maintenance records are available for retrieval later that night. Balance verification and posting notices are available for retrieval on Monday night.

N. Data Retention

Data is available from TRIP for only a specified length of time. Do not rely on TRIP to be a permanent source of your agency's information. You must regularly print or download these records to your computer's hard drive for permanent storage and record keeping. The retention of data received via the state mainframe system is determined by the internal procedures of your agency.

O. Debtor Notification

The following is an example of a form letter that could be used to notify debtors of certification:

date

name

address

Notice Of Intent To Certify Debt

Pursuant to sec. 71.93 Wis. Stats., you are hereby notified that **State Agency** has certified to the Wisconsin Department of Revenue (DOR) that you are indebted to **State Agency** for *source of debt*, as follows:

DATE ISSUED

AMOUNT

LEGAL COSTS

SUB TOTAL

LESS PAYMENT

TOTAL DUE

The purpose of the certification is to make a claim for the total due **State Agency** against refunds, overpayments, or lottery payments owed you by DOR. If your debt is not settled by the time you file your Wisconsin State Income Tax return, all or part of your refund may be intercepted to pay your debt. Any remaining amount that is due to you will be delayed an additional 4-8 weeks on top of normal processing time. The debt will remain certified to DOR until it is paid in full.

You have the right to appeal this action.

An appeal must be submitted in writing, must state the specific grounds for objection, and must be postmarked or received within **number of days** after mailing date of this notice at **address and physical location for appeals**.

Sincerely,

**WISCONSIN DEPARTMENT OF REVENUE
STATE AGENCY AGREEMENT FOR
TAX REFUND INTERCEPTION**

This agreement between *Agency Name Here* (hereafter referred to as “agency”) and the Wisconsin Department of Revenue (hereafter referred to as “department”) is to effect the setoff of lottery prizes, and of tax refunds and refundable credits when such refunds or credits exceed the debtor’s Wisconsin tax liability or any other liability owed the department, against debts owed to the agency as provided in secs. 71.93 and 565.30(5), Wis. Stats.

The agency and the department agree that:

1. Any debt certified to the department must be greater than \$20.00 and shall be reduced to a judgment prior to certification unless the debtor has been afforded reasonable notice and an opportunity to be heard with regards to the debt.
2. The agency will send notice to the debtor of the agency’s intention to certify the debt to the department, and of the debtor’s right to appeal, at least 30 days prior to such certification.
3. Information as to each debt will be furnished by the agency in an electronic format prescribed by the department.
4. The agency debtor information will be edited and compared to the department’s “history file” to determine correctness. Notification will be given to the agency whether such data was accepted or rejected in the same medium as originally submitted by the agency. If the data is accepted by the department, the department will transmit the debt number for each debt accepted to the agency.
5. When a refund or refundable credit becomes a candidate for setoff to an agency debt, the agency will be notified of the department’s intent to post such setoff. The agency will have 5 working days to notify the department of any changes, corrections, or exceptions. When a lottery prize becomes available for setoff, the agency will be notified immediately to confirm the balance of the debt.
6. Once a setoff has been posted, the agency will be notified of such postings.
7. Postings will be done weekly and remittances will be sent to the agency weekly. The remittance (a check) will be sent to the agency approximately 7 days after the setoff and will include all postings for that period.
8. The remittance to the agency will be the full amount of the setoff. Quarterly, the department will issue a settlement report that summarizes the financial activity for the agency’s account for the previous calendar quarter.
9. If a setoff has been posted to a debt and it is later determined that the setoff was in excess of the debt owed to the agency, it will be the agency’s responsibility to refund such excess to the debtor, including the administrative fee.
10. Interceptions that occur because of erroneous identification information provided by the agency may be corrected by the department and the amounts involved may be reversed and added to the department’s quarterly settlement report.
11. If a refund or refundable credit is determined to be in error or is otherwise adjusted after posting to an agency debt, the department may reverse the credit with that agency.

12. Correspondence and telephone inquiries received for any debtor relative to debts certified will be forwarded to the agency for response. Contact persons for the agency and the department will be identified.
13. The agency shall be responsible and liable for, and handle any claims or lawsuits made against the department arising from an alleged wrongful or improper setoff.
14. The agency agrees to maintain the confidentiality of all accounts, correspondence, documents and any other related information, which may be obtained from or furnished by the department. Any unauthorized use or disclosure of such information, or inadequate procedures for safeguarding the confidentiality of such information, constitutes grounds for immediate termination of this agreement.
15. The Secretary of Revenue shall be the final authority in the resolution of any interagency disputes in regard to certification of debts.

This agreement is effective upon the signing below of the agency and department's representatives. Amendments mutually agreed to by authorized representatives of the agency and the department shall become effective when signed and dated as an ADDENDUM to this agreement. The terms of the agreement may be renegotiated upon 60 days notice by either party.

Agency:

Wisconsin Department of Revenue:

By _____

By _____

Dated _____

Dated _____

Agency Information

Please provide the following information after reading the instructions on page 11. You may also need to obtain a Wisconsin User ID to exchange debtor information with DOR. If you have any questions about this process, please contact the Refund Interception Coordinator at (608) 266-8517

SECTION 1 -- AGENCY INFORMATION

1. Agency Name _____
2. Contact Name for Debtor Inquiries _____
3. Phone Number --
4. Proration ☐ (required) ☐ (not required)
5. Balance Verification ☐ (required) ☐ (not required)

SECTION 2 -- AGENCY ADDRESS

6. Contact Name _____
7. Phone Number --
8. Fax Number --
9. Mailing Address _____
10. City _____ State _____ Zip -
11. E-Mail Address _____

SECTION 3 -- CHECK ADDRESS (if different than above)

12. Contact Name _____

13. Phone Number --

14. Mailing Address _____

15. City _____ State _____ Zip -

SECTION 4 -- SETTLEMENT REPORT ADDRESS (if different than above)

16. Contact Name _____

17. Phone Number --

18. Fax Number --

19. Mailing Address _____

20. City _____ State _____ Zip -

21. E-Mail Address _____

SECTION 5 -- DEPARTMENT OF REVENUE USE ONLY

Date Received: _____ ID Number Assigned: _____

INSTRUCTIONS

- Line 1 (Agency Name): Provide the name of the state agency that is enrolling in the program.
- Line 2 (Contact Name for Debtor Inquiries): Provide the name of the person that debtors are to call with questions regarding the debt. A position name (e.g., receptionist, collections specialist, etc.) may be substituted in place of a person's name.
- Line 3 (Phone Number): Provide the phone number for the debtor contact (above).
- Line 4 (Proration): Indicate whether the agency requires joint refunds are to be prorated between both spouses prior to application to the debt.
- Line 5 (Balance Verification): Indicate whether the agency requires notification of potential refund interceptions prior to posting.
- Line 6 (Contact Name): Provide a contact name for the agency listed in Line 1 (above).
- Line 7 (Phone Number): Provide the phone number of the person listed in Line 8 (above).
- Line 8 (Fax Number): Provide the fax number of the person listed in Line 8 (above).
- Lines 9 – 10 (Mailing Address): Provide the mailing address of the agency listed in Line 1 (above).
- Line 11 (E-Mail Address): Provide the E-Mail address of the person listed in Line 8 (above).
- Lines 12 – 15 (Check Address Information): Provide the information in this section if different than Agency Address information.
- Lines 16 – 21 (Settlement Report Address Information): Provide the information in this section if different than Agency Address information or Check Address information.

Mail Completed Form to:

Wisconsin Department of Revenue
Attn: Fred Bahr
P.O. Box 8901
Madison, WI 53708-8901